

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Aetna Township	County Missaukee
Fiscal Year End March 31, 2007	Opinion Date May 16, 2007	Date Audit Report Submitted to State September 6, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

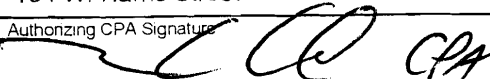
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's **unreserved** fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number 231-775-9789	
Street Address 134 W. Harris Street		City Cadillac	State MI
		Zip 49601	
Authorizing CPA Signature 		Printed Name Michael D. Cool, C.P.A.	License Number 1101023146

AETNA TOWNSHIP, MISSAUKEE COUNTY

FALMOUTH, MICHIGAN

MARCH 31, 2007

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

MARCH 31, 2007

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AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

MARCH 31, 2007

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May 16, 2007

INDEPENDENT AUDITORS' REPORT

To the Township Board
Aetna Township
Missaukee County
Falmouth, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Aetna Township, Missaukee County, Falmouth, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Aetna Township, Missaukee County, Falmouth, Michigan, as of March 31, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on pages 21 and 22 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Aetna Township, Missaukee County, Falmouth, Michigan's basic financial statements. The individual fund financial statements and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

AETNA TOWNSHIP, MISSAUKEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2007

Aetna Township, a general law township located in Missaukee County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Aetna Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2007.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$349,188. Of this amount, \$193,966 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$281,133 an increase of \$48,463 in comparison with the prior year. About 64% is available for spending at the Township's discretion.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

AETNA TOWNSHIP, MISSAUKEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2007

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds are not reflected in the government-wide financial statements because the resources of the funds are not available for supporting the Township's programs.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

AETNA TOWNSHIP, MISSAUKEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2007

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$349,188 at March 31, 2007, meaning the Township's assets were greater than its liabilities by this amount. Because of GASB Statement Number 34, this is the first year that this information is presented; therefore, only one year of data is shown.

Aetna Township
Net Assets as of March 31, 2007

	<u>Governmental Activities</u>
Current and Other Assets	\$ 282,912
Capital Assets	<u>68,055</u>
Total Assets	<u>\$ 350,967</u>
Total Liabilities	<u>\$ 1,779</u>
Net Assets	
Invested in Capital Assets	\$ 68,055
Restricted	87,167
Unrestricted	<u>193,966</u>
Total Net Assets	<u>\$ 349,188</u>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others) less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$193,966 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

The total net assets of the Township increased by \$71,286 or 26% in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

AETNA TOWNSHIP, MISSAUKEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2007

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

Aetna Township
Change in Net Assets
Year Ended March 31, 2007

	<u>Governmental Activities</u>
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 950
Operating Grants and Contributions	3,177
Capital Grants and Contributions	19,444
General Revenues	
Taxes	87,477
State Grants	33,826
Interest Earnings	6,834
Other	255
Total Revenues	<u>151,963</u>
<u>Expenses</u>	
Legislative	3,325
General Government	45,523
Public Safety	17,846
Public Works	7,058
Other Functions	6,925
Total Expenses	<u>80,677</u>
Increase in Net Assets	71,286
Beginning Net Assets	277,902
Ending Net Assets	<u>\$ 349,188</u>

Governmental Activities

During the fiscal year ended March 31, 2007, the Township's net assts increased by \$71,286 or 26% in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of

AETNA TOWNSHIP, MISSAUKEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2007

now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of Aetna Township comes from property taxes. The Township levied millages for fire protection and road maintenance, in addition to the operating millages, this fiscal year.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula. In 2006, the amount of state shared revenue received by the Township trended upward.

The Township's governmental activities expenses are dominated by general government expenses that total \$45,523. The Public safety represented the next largest expense at \$17,846 followed by other functions at \$6,925.

Business-Type Activities

The Township does not maintain any Business-Type Activities.

Financial Analysis of the Government's Funds

Governmental Activities The focus of Aetna Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Aetna Township's governmental funds reported combined ending fund balances of \$281,133. Approximately 64% of this total amount constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures that relate to fire protection.

General Fund – The General Fund increased its fund balance by \$15,531 which brings the fund balance to \$180,761. Of the General Fund's fund balance, \$180,761 is unreserved. Various General Fund functions ended the year with expenditures above budgeted amounts. The differentials were funded by greater than anticipated revenues and available fund balance. State shared revenues increased by \$254 from the prior year.

Fire Fund – The Fire Fund increased its fund balance by \$309 which brings the fund balance to \$10,193. This balance is reserved and must be used for fire protection.

The Township levied a fire millage on the 2006 tax roll. This resulted in \$17,764 in tax related revenues during the current fiscal year.

AETNA TOWNSHIP, MISSAUKEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2007

Road Fund – The Road Fund increased its fund balance by \$30,684 which brings the fund balance to \$76,974. The balance is reserved and must be used for road improvements.

The Township levied a road millage on the 2006 tax roll. This resulted in \$34,719 in tax related revenues during the current fiscal year.

Improvement Revolving Fund – The Improvement Revolving Fund increased its fund balance by \$1,939 which brings the fund balance to \$13,205. The balance is designated for improvements.

Proprietary Fund The Township does not maintain any proprietary funds.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of March 31, 2007 amounted to \$68,055 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$500 individually (for purchases after March 31, 2004) and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

Aetna Township Capital Assets as of March 31, 2007	
	<u>Governmental Activities</u>
Land	\$ 203
Building Improvements	28,033
Furniture and Equipment	20,955
Land Improvements	3,699
Infrastructure	<u>41,690</u>
Subtotal	94,580
Accumulated Depreciation	<u>26,525</u>
Net Capital Assets	<u><u>\$ 68,055</u></u>

Major capital asset events during the current fiscal year included the following:

- ◆ Made improvements to the hall to improve access at a total cost of \$15,812. The Township received a grant from the State of Michigan in the amount of \$12,652 for these improvements.

AETNA TOWNSHIP, MISSAUKEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2007

- ◆ Received new voting equipment valued at \$6,792 through a grant from the federal Help America Vote Act program.
- ◆ Sealcoated a portion of 7 Mile Road at a cost of \$5,148.

Long-Term Debt: At the end of the current fiscal year, the Township had no long-term debt.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2007-08 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, please direct your requests to Aetna Township, Township Clerk, 4819 S. 9 Mile Road, Falmouth, Michigan 49632.

AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2007

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 261,121
Receivables	
Taxes	11,544
External Party (Fiduciary Fund)	1,536
Due from Other Governments	8,412
Prepaid Expenses	299
	<hr/>
Total Current Assets	282,912
	<hr/>
<u>CAPITAL ASSETS</u>	
Land	203
Building Improvements	28,033
Furniture and Equipment	20,955
Land Improvements	3,699
Infrastructure	41,690
	<hr/>
	94,580
Less Accumulated Depreciation	26,525
Net Capital Assets	68,055
	<hr/>
	<hr/>
TOTAL ASSETS	350,967
	<hr/>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	192
Payroll Deductions Payable	455
Pension Payable	1,132
	<hr/>
Total Current Liabilities	1,779
	<hr/>
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TOTAL LIABILITIES	1,779
	<hr/>

The accompanying notes are an integral part of the financial statements.

AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2007

NET ASSETS

Invested in Capital Assets	68,055
Restricted for Road Maintenance	76,974
Restricted for Fire Protection	10,193
Unrestricted	<u>193,966</u>
TOTAL NET ASSETS	<u>\$ 349,188</u>

The accompanying notes are an integral part of the financial statements.

AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2007

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE)
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUE
					AND CHANGES IN NET ASSETS
TOTAL					
GOVERNMENTAL ACTIVITIES					
PRIMARY GOVERNMENT					
GOVERNMENTAL ACTIVITIES					
Legislative	\$ 3,325	\$ 0	\$ 0	\$ 0	\$ (3,325)
General Government	45,523	950	0	19,444	(25,129)
Public Safety	17,846	0	0	0	(17,846)
Public Works	7,058	0	3,177	0	(3,881)
Other Functions	6,925	0	0	0	(6,925)
Total	\$ 80,677	\$ 950	\$ 3,177	\$ 19,444	(57,106)

GENERAL REVENUES

Taxes	87,477
State Grants	33,826
Interest Earnings	6,834
Other	255
Total General Revenues	128,392
Change in Net Assets	71,286
NET ASSETS - Beginning of Year	277,902
NET ASSETS - End of Year	\$ 349,188

The accompanying notes are an integral part of the financial statements.

AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
MARCH 31, 2007

	GENERAL FUND	FIRE FUND	ROAD FUND	IMPROVEMENT REVOLVING FUND	TOTALS
<u>ASSETS</u>					
Cash	\$ 167,996	\$ 7,740	\$ 72,180	\$ 13,205	\$ 261,121
Taxes Receivable	4,297	2,453	4,794	0	11,544
Due from Other Funds	1,536	0	0	0	1,536
Due from Other Governments	8,412	0	0	0	8,412
Prepaid Expense	299	0	0	0	299
TOTAL ASSETS	<u>\$ 182,540</u>	<u>\$ 10,193</u>	<u>\$ 76,974</u>	<u>\$ 13,205</u>	<u>\$ 282,912</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$ 192	\$ 0	\$ 0	\$ 0	\$ 192
Payroll Withholdings	455	0	0	0	455
Pension Payable	1,132	0	0	0	1,132
Total Liabilities	<u>1,779</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,779</u>
<u>FUND BALANCE</u>					
Reserved for:					
Fire Protection	0	10,193	0	0	10,193
Road Maintenance	0	0	76,974	0	76,974
Unreserved					
Designated for Improvements	0	0	0	13,205	13,205
Undesignated	180,761	0	0	0	180,761
Total Fund Balance	<u>180,761</u>	<u>10,193</u>	<u>76,974</u>	<u>13,205</u>	<u>281,133</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 182,540</u>	<u>\$ 10,193</u>	<u>\$ 76,974</u>	<u>\$ 13,205</u>	<u>\$ 282,912</u>

The accompanying notes are an integral part of the financial statements.

AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2007

Total Fund Balance for Governmental Funds	\$	281,133
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	\$	203	
Building Improvements		28,033	
Furniture and Equipment		20,955	
Land Improvements		3,699	
Infrastructure		41,690	
Accumulated Depreciation		(26,525)	68,055

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>349,188</u>
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The accompanying notes are an integral part of the financial statements.

AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2007

	GENERAL FUND	FIRE FUND	ROAD FUND	IMPROVEMENT REVOLVING FUND	TOTALS
<u>REVENUES</u>					
Taxes	\$ 34,994	\$ 17,764	\$ 34,719	\$ 0	\$ 87,477
State Grants	40,618	0	3,177	12,652	56,447
Charges for Services	950	0	0	0	950
Interest and Rents	4,833	331	1,476	194	6,834
Other Revenues	255	0	0	0	255
Total Revenues	81,650	18,095	39,372	12,846	151,963
<u>EXPENDITURES</u>					
Legislative	3,325	0	0	0	3,325
General Government	50,266	0	0	15,907	66,173
Public Safety	60	17,786	0	0	17,846
Public Works	543	0	8,688	0	9,231
Other Functions	6,925	0	0	0	6,925
Total Expenditures	61,119	17,786	8,688	15,907	103,500

The accompanying notes are an integral part of the financial statements.

AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2007

	GENERAL FUND	FIRE FUND	ROAD FUND	IMPROVEMENT REVOLVING FUND	TOTALS
Excess (Deficiency) of Revenues Over Expenditures	20,531	309	30,684	(3,061)	48,463
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In (Out)					
General Fund	0	0	0	5,000	5,000
Improvement Revolving Fund	(5,000)	0	0	0	(5,000)
Total Other Financing Sources (Uses)	(5,000)	0	0	5,000	0
Net Change in Fund Balance	15,531	309	30,684	1,939	48,463
<u>FUND BALANCE -</u>					
Beginning of Year	165,230	9,884	46,290	11,266	232,670
<u>FUND BALANCE -</u>					
End of Year	\$ 180,761	\$ 10,193	\$ 76,974	\$ 13,205	\$ 281,133

The accompanying notes are an integral part of the financial statements.

AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2007

Net change in Fund Balance - Total Governmental Funds	\$ 48,463
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(4,929)
Capital Outlay	<u>27,752</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 71,286</u></u>

The accompanying notes are an integral part of the financial statements.

AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2007

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ 1,536
	<u> </u>
<u>LIABILITIES</u>	
Due to Other Funds	\$ 1,536
	<u> </u>
<u>NET ASSETS</u>	<u>0</u>
	<u> </u>
TOTAL LIABILITIES AND NET ASSETS	\$ 1,536
	<u> </u>

The accompanying notes are an integral part of the financial statements.

AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Aetna Township is a general law township located in Missaukee County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Aetna Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditures for fire protection.

The *Road Fund* accounts for revenue sources that are legally restricted to expenditures for road maintenance and improvements.

The *Improvement Revolving Fund* accounts for revenue sources that are board designated to expenditures for township improvements.

Additionally Aetna Township reports the following fund types:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits, and short-term investments with original maturities of three months or less from date of acquisition.

(I) The Township Board has authorized the Township Treasurer to invest in the following:

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository of a financial institution with a location within the State of Michigan.
- (c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- (d) Repurchase agreements consisting of instruments listed in subdivision (a).
- (e) Bankers' acceptances of United States banks.
- (f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- (g) Mutual funds registered under the Investment Company Act of 1940, Title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by the Township Treasurer. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share. (Recommendation--the above limitation is recommended, however, the Treasurer may also include mutual funds whose net asset value may fluctuate on a periodic basis by so stating in this area).
- (h) Investment pools organized under the Local Government Pool Act, 1985 PA 121, MCL 129.141 to 129.150.
- (i) Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.111 to 129.118.

AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and two-thirds of county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2006 taxable valuation of the Aetna Township totaled \$17,763,888, on which ad valorem taxes levied consisted of 1.4657 mills for the Aetna Township operating purposes, 1.9544 mills for road maintenance and 1.0000 mills for Aetna Township fire protection. These levies raised approximately \$26,037 for operating purposes, \$34,719 for road maintenance and \$17,764 for fire protection.

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building improvements	20
Road Construction	20
Equipment	5-10

Aetna Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning April 1, 2004, in accordance with the Township's capitalization policy.

5. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on March 30, 2006, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

B. Major funds with expenditures in excess of appropriations were as follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
Election	\$ 5,500	\$ 11,966

These overages were funded by available fund balances and greater-than-anticipated revenues.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Township's deposits and investments are on deposit with Citizens Bank.

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. As of March 31, 2007, \$84,570 of the Township's bank balance of \$297,771 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at the year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

B. Receivables

Receivables as of year end for the government's individual major funds are as follows:

	General	Fire	Road	Improvement Revolving	Total
Receivables					
Taxes	\$ 4,297	\$ 2,453	\$ 4,794	\$ 0	\$ 11,544
Due from Other Governments	8,412	0	0	0	8,412
	<u>\$ 12,709</u>	<u>\$ 2,453</u>	<u>\$ 4,794</u>	<u>\$ 0</u>	<u>\$ 19,956</u>

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year the Township did not report any deferred revenue.

AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 203	\$ 0	\$ 0	\$ 203
Capital assets, being depreciated				
Building Improvements	12,221	15,812	0	28,033
Furniture and Equipment	14,163	6,792	0	20,955
Infrastructure	36,542	5,148	0	41,690
Land Improvements	3,699	0	0	3,699
Total capital assets, being depreciated	66,625	27,752	0	94,377
Less accumulated depreciation for:				
Building Improvements	10,315	630	0	10,945
Furniture and Equipment	9,247	1,139	0	10,386
Infrastructure	0	2,975	0	2,975
Land Improvements	2,034	185	0	2,219
Total accumulated depreciation	21,596	4,929	0	26,525
Total capital assets, being depreciated, net	45,029	22,823	0	67,852
Governmental activities capital assets, net	\$ 45,232	\$ 22,823	\$ 0	\$ 68,055

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 1,954
Public Works	2,975
Total depreciation expense - governmental activities	<u>\$ 4,929</u>

AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at March 31, 2007, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 1,536	\$ 0
Current Tax Collection Fund	0	1,536
	<u>\$ 1,536</u>	<u>\$ 1,536</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

The following is a schedule of operating transfers between funds for the year ending March 31, 2007:

<u>FUND</u>	<u>OPERATING TRANSFERS</u>	
	<u>IN</u>	<u>OUT</u>
<u>General Fund</u>		
To:		
Improvement Revolving Fund	\$ 0	\$ 5,000
<u>Special Revenue Fund</u>		
Improvement Revolving Fund		
From:		
General Fund	5,000	0
 TOTALS	 <u>\$ 5,000</u>	 <u>\$ 5,000</u>

Transfers are used (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

E. Long-Term Debt

As of March 31, 2007 the Township was not obligated for any long-term debt.

F. Fund Balance Reserves and Designations

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various funds. These reserves are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved	
Special Revenue Funds	
Fire Fund	
Fire Protection	\$ 10,193
Road Fund	
Road Maintenance	76,974
Designations	
Improvement Revolving Fund	<u>13,205</u>
 Total Fund Balance Reserves	 \$ <u><u>100,372</u></u>

IV. OTHER INFORMATION

A. Interest Income and Expenses

For the year ended March 31, 2007, interest income on deposits and investments, and interest expense is summarized as follows:

<u>FUND</u>	<u>INTEREST</u> <u>INCOME</u>	<u>INTEREST</u> <u>EXPENSE</u>
General Fund	\$ 4,833	\$ 0
Special Revenue Fund		
Fire Fund	331	0
Road Fund	1,476	0
Improvement Revolving Fund	<u>194</u>	<u>0</u>
	\$ 6,834	\$ 0

AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

B. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

C. Property Tax Administration Fee

The Township is charging a property tax administration fee on all ad valorem taxes levied. The Township has determined that authorized costs of tax collection will be repeatedly in excess of the revenues generated by the administration fee so that a restricted earnings account is not reflected in these statements.

D. Retirement Plan

Effective November 5, 1991 the Township established a Simplified Employee Pension – Individual Retirement Account (SEP-IRA). The plan is with Citizens Bank, Cadillac, Michigan. The plan covers all elected officials and full-time employees. The Township contributes an amount equal to 15% of the annual compensation of each covered employee to the plan.

Contributions to the plan are based on annual compensation and are payable annually. For the 2006-2007 year, covered compensation was \$25,171, and the total of all wages including noncovered wages was \$29,745. The Township's total contribution to the plan during the 2006-2007 fiscal year was \$3,776.

The individual retirement account balances become the property of the employee immediately. Therefore, there are no plan assets or liabilities which are includable as part of the Township reporting entity.

E. Due from Other Governments

Amounts due from other governments consists of \$8,412 in state-shared revenues.

AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2007

	GENERAL FUND				ROAD FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>								
Taxes	\$ 32,000	\$ 34,778	\$ 34,994	\$ 216	\$ 34,000	\$ 35,116	\$ 34,719	\$ (397)
State Grants	33,000	33,501	40,618	7,117	3,000	3,177	3,177	0
Charges for Services	0	0	950	950	0	0	0	0
Interest and Rents	0	0	4,833	4,833	400	1,428	1,476	48
Other Revenues	3,000	6,474	255	(6,219)	0	0	0	0
Total Revenues	68,000	74,753	81,650	6,897	37,400	39,721	39,372	(349)
<u>EXPENDITURES</u>								
Legislative	5,000	5,000	3,325	1,675	0	0	0	0
General Government								
Supervisor	5,400	5,400	4,831	569	0	0	0	0
Election	3,500	5,500	11,966	(6,466)	0	0	0	0
Assessor	11,000	11,000	10,297	703	0	0	0	0
Clerk	7,000	7,000	6,942	58	0	0	0	0
Board of Review	1,700	1,700	1,300	400	0	0	0	0
Treasurer	10,500	10,500	10,344	156	0	0	0	0
Building and Grounds	1,000	2,500	1,782	718	0	0	0	0
Cemetery	4,000	4,000	2,804	1,196	0	0	0	0
Public Safety	8,000	5,000	60	4,940	0	0	0	0
Public Works	900	900	543	357	4,000	10,000	8,688	1,312
Other Functions	7,000	7,000	6,925	75	0	0	0	0
Total Expenditures	65,000	65,500	61,119	4,381	4,000	10,000	8,688	1,312
Excess (Deficiency) of Revenues Over Expenditures	3,000	9,253	20,531	11,278	33,400	29,721	30,684	963
<u>OTHER FINANCING SOURCES (USES)</u>								
Operating Transfers In (Out)								
Improvement Revolving Fund	(5,000)	(5,000)	(5,000)	0	0	0	0	0
Net Change in Fund Balance	(2,000)	4,253	15,531	11,278	33,400	29,721	30,684	963
<u>FUND BALANCE</u> - Beginning of Year	156,899	156,600	165,230	8,630	45,705	45,705	46,290	585
<u>FUND BALANCE</u> - End of Year	\$ 154,899	\$ 160,853	\$ 180,761	\$ 19,908	\$ 79,105	\$ 75,426	\$ 76,974	\$ 1,548

AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2007

	FIRE FUND				IMPROVEMENT REVOLVING FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>								
Taxes	\$ 0	\$ 17,660	\$ 17,764	\$ 104	\$ 0	\$ 0	\$ 0	\$ 0
State Grants	0	0	0	0	26,000	24,594	12,652	(11,942)
Charges for Services	0	0	0	0	0	0	0	0
Interest and Rents	100	0	331	331	0	0	194	194
Other Revenues	0	0	0	0	0	0	0	0
Total Revenues	\$ 100	\$ 17,660	\$ 18,095	\$ 435	\$ 26,000	\$ 24,594	\$ 12,846	\$ (11,748)
<u>EXPENDITURES</u>								
Legislative	0	0	0	0	0	0	0	0
General Government	0	0	0	0	25,900	25,900	15,907	9,993
Public Safety	10,000	17,786	17,786	0	0	0	0	0
Public Works	0	0	0	0	0	0	0	0
Other Functions	0	0	0	0	0	0	0	0
Total Expenditures	10,000	17,786	17,786	0	25,900	25,900	15,907	9,993
Excess (Deficiency) of Revenues Over Expenditures	(9,900)	(126)	309	435	100	(1,306)	(3,061)	(1,755)
<u>OTHER FINANCING SOURCES (USES)</u>								
Operating Transfers In (Out) General Fund	0	0	0	0	0	0	5,000	5,000
Net Change in Fund Balance	(9,900)	(126)	309	435	100	(1,306)	1,939	3,245
<u>FUND BALANCE</u> - Beginning of Year	9,581	9,581	9,884	303	11,266	11,266	11,266	0
<u>FUND BALANCE</u> - End of Year	\$ (319)	\$ 9,455	\$ 10,193	\$ 738	\$ 11,366	\$ 9,960	\$ 13,205	\$ 3,245

AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

GENERAL FUND

BALANCE SHEET
MARCH 31, 2007

ASSETS

Cash	
Money Market Account	\$ 33,656
Certificates of Deposit	134,340
Taxes Receivable	4,297
Due from Other Funds	1,536
Due from Other Governments	8,412
Prepaid Expense	299
	<hr/>
TOTAL ASSETS	<u><u>\$ 182,540</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 192
Payroll Withholdings	455
Pension Payable	1,132
	<hr/>
Total Liabilities	1,779

FUND BALANCE

Unreserved	180,761
	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 182,540</u></u>

AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2007

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
<u>REVENUES</u>			
Taxes	\$ 32,000	\$ 34,778	\$ 34,994
State Grants	33,000	33,501	40,618
Charges for Services	0	0	950
Interest and Rents	0	0	4,833
Other Revenues	3,000	6,474	255
Total Revenues	68,000	74,753	81,650
<u>EXPENDITURES</u>			
Legislative			
Township Board	5,000	5,000	3,325
General Government			
Supervisor	5,400	5,400	4,831
Election	3,500	5,500	11,966
Assessor	11,000	11,000	10,297
Clerk	7,000	7,000	6,942
Board of Review	1,700	1,700	1,300
Treasurer	10,500	10,500	10,344
Building and Grounds	1,000	2,500	1,782
Cemetery	4,000	4,000	2,804
Public Safety	8,000	5,000	60
Public Works	900	900	543
Other Functions	7,000	7,000	6,925
Total Expenditures	65,000	65,500	61,119
Excess (Deficiency) of Revenues			
Over Expenditures	3,000	9,253	20,531

AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2007

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In (Out)			
Improvement Revolving Fund	(5,000)	(5,000)	(5,000)
Net Change in Fund Balance	(2,000)	4,253	15,531
<u>FUND BALANCE</u> - Beginning of Year	156,899	156,600	165,230
<u>FUND BALANCE</u> - End of Year	<u>\$ 154,899</u>	<u>\$ 160,853</u>	<u>\$ 180,761</u>

AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

FIRE FUND

BALANCE SHEET
MARCH 31, 2007

ASSETS

Cash	
Money Market Account	\$ 2,586
Certificate of Deposit	5,154
Taxes Receivable	<u>2,453</u>
 TOTAL ASSETS	 \$ <u>10,193</u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
 <u>FUND BALANCE</u>	
Reserved for Fire Protection	<u>10,193</u>
 TOTAL LIABILITIES AND FUND BALANCE	 \$ <u>10,193</u>

AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2007

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
<u>REVENUES</u>			
Taxes	\$ 0	\$ 17,660	\$ 17,764
Interest Earnings	100	0	331
Total Revenues	100	17,660	18,095
<u>EXPENDITURES</u>			
Public Safety			
Fire Protection			
Other Services and Charges			
Aid to Other Government	10,000	17,786	17,786
Excess (Deficiency) of Revenues Over Expenditures	(9,900)	(126)	309
<u>FUND BALANCE</u> - Beginning of Year	9,581	9,581	9,884
<u>FUND BALANCE</u> - End of Year	\$ (319)	\$ 9,455	\$ 10,193

AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

ROAD FUND

BALANCE SHEET
MARCH 31, 2007

ASSETS

Cash	
Money Market Account	\$ 35,882
Certificate of Deposit	36,298
Taxes Receivable	<u>4,794</u>
 TOTAL ASSETS	 \$ <u>76,974</u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
 <u>FUND BALANCE</u>	
Reserved for Road Maintenance	<u>76,974</u>
 TOTAL LIABILITIES AND FUND BALANCE	 \$ <u>76,974</u>

AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

ROAD FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDING MARCH 31, 2007

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
<u>REVENUES</u>			
Taxes	\$ 34,000	\$ 35,116	\$ 34,719
State Grants	3,000	3,177	3,177
Interest Earnings	400	1,428	1,476
Total Revenues	37,400	39,721	39,372
<u>EXPENDITURES</u>			
Public Works			
Highways, Streets and Bridges			
Repairs and Maintenance	4,000	10,000	3,540
Capital Outlay	0	0	5,148
Total Expenditures	4,000	10,000	8,688
Excess (Deficiency) of Revenues Over Expenditures	33,400	29,721	30,684
<u>FUND BALANCE</u> - Beginning of Year	45,705	45,705	46,290
<u>FUND BALANCE</u> - End of Year	\$ 79,105	\$ 75,426	\$ 76,974

AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

IMPROVEMENT REVOLVING FUND

BALANCE SHEET
MARCH 31, 2007

ASSETS

Cash	
Money Market Account	\$ 3,116
Certificate of Deposit	<u>10,089</u>
 TOTAL ASSETS	 <u><u>\$ 13,205</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
 <u>FUND BALANCE</u>	
Unreserved	
Designated for Improvements	<u>13,205</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 13,205</u></u>

AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

IMPROVEMENT REVOLVING FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDING MARCH 31, 2007

	<u>BUDGET</u>		<u>ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	
<u>REVENUES</u>			
State Grants	\$ 26,000	\$ 24,594	\$ 12,652
Interest Earnings	0	0	194
Total Revenues	26,000	24,594	12,846
<u>EXPENDITURES</u>			
General Government			
Building and Grounds			
Repairs and Maintenance	25,900	25,900	550
Capital Outlay	0	0	15,357
Total Expenditures	25,900	25,900	15,907
Excess (Deficiency) of Revenues			
Over Expenditures	100	(1,306)	(3,061)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In (Out)			
General Fund	0	0	5,000
Net Change in Fund Balance	100	(1,306)	1,939
<u>FUND BALANCE</u> - Beginning of Year	11,266	11,266	11,266
<u>FUND BALANCE</u> - End of Year	\$ 11,366	\$ 9,960	\$ 13,205

AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
MARCH 31, 2007

	BALANCE			BALANCE
	4/1/2006	ADDITIONS	DEDUCTIONS	3/31/2007
<hr/>				
<u>ASSETS</u>				
Cash	\$ 0	\$ 533,747	\$ (532,211)	\$ 1,536
<hr/>				
<u>LIABILITIES</u>				
Due to Other Funds	\$ 0	\$ 75,894	\$ (74,358)	\$ 1,536
Due to Other Governments	0	457,315	(457,315)	0
Due to Other Organizations and Individuals	0	538	(538)	0
<hr/>				
TOTAL LIABILITIES	\$ 0	\$ 533,747	\$ (532,211)	\$ 1,536
<hr/>				

AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

STATEMENT OF 2006 TAX ROLL
MARCH 31, 2007

TAXES ASSESSED

County	\$	130,497	
State Education Tax		106,594	
Township			
Operating		26,037	
Roads		34,719	
Fire		17,764	
Schools			
McBain Rural Agricultural School		104,482	
Lake City Area School		41,763	
Houghton Lake Community School		10,194	
Intermediate Schools			
Wexford-Missaukee		94,212	
COOR		1,691	
College			
Kirtland Community College		15,561	
Library			
Houghton Lake Public Library		<u>1,145</u>	584,659

TAXES COLLECTED

County	116,152	
State Education Tax	98,570	
Township		
Operating	22,442	
Roads	29,925	
Fire	15,311	
Schools		
McBain Rural Agricultural School	95,651	
Lake City Area School	31,501	
Houghton Lake Community School	8,575	
Intermediate Schools		
Wexford-Missaukee	81,577	
COOR	1,402	
College		
Kirtland Community College	12,329	
Library		
Houghton Lake Public Library	<u>950</u>	<u>514,385</u>

AETNA TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

STATEMENT OF 2006 TAX ROLL
MARCH 31, 2007

TAXES RETURNED DELINQUENT

County	14,345	
State Education Tax	8,024	
Township		
Operating	3,595	
Roads	4,794	
Fire	2,453	
Schools		
McBain Rural Agricultural School	8,831	
Lake City Area School	10,262	
Houghton Lake Community School	1,619	
Intermediate Schools		
Wexford-Missaukee	12,635	
COOR	289	
College		
Kirtland Community College	3,232	
Library		
Houghton Lake Public Library	195	\$ 70,274

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749
www.bcbcpa.com

May 16, 2007

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Aetna Township
Missaukee County
Falmouth, Michigan

During the course of our audit of the financial statements of Aetna Township for the year ended March 31, 2007, we noted the following items:

Budgeting

The Township's expenditures exceeded appropriations in the General Fund in the following functions: General Government. These overages were due to audit adjustments that shifted expenditures into the functions mentioned above. The Township monitored and amended timely the other fund budgets and did a good job following the spirit of the State of Michigan's budgeting requirements.

General Recordkeeping

The accounting records being maintained by the clerk and treasurer were found to be in good order and in compliance with the State's uniform accounting system.

We would like to thank the board for its continued confidence in our firm and to thank the Township officers for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

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May 16, 2007

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Aetna Township
Missaukee County
Falmouth, Michigan

During the course of our audit of the financial statements of Aetna Township for the year ended March 31, 2007, we noted the following items:

Budgeting

The Township's expenditures exceeded appropriations in the General Fund in the following functions: General Government and Public Works. These overages were due to audit adjustments that shifted expenditures into the functions mentioned above. The Township monitored and amended timely the other fund budgets and did a good job following the spirit of the State of Michigan's budgeting requirements.

General Recordkeeping

The accounting records being maintained by the clerk and treasurer were found to be in good order and in compliance with the State's uniform accounting system.

We would like to thank the board for its continued confidence in our firm and to thank the Township officers for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

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May 16, 2007

COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

To the Township Board
Aetna Township
Missaukee County
Falmouth, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Aetna Township, Missaukee County, Falmouth, Michigan as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Aetna Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the deficiencies described above constitute material weaknesses.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.